

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Forest Township Area Senior Center, Inc.		County Genesee County	
Fiscal Year End December 31, 2007		Opinion Date June 25, 2008		Date Audit Report Submitted to State June 27, 2008			

We affirm that:

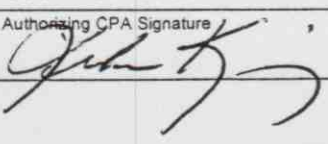
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. ☒ ☐ The local unit has adopted a budget for all required funds.
 5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. ☒ ☐ The local unit is free of repeated comments from previous years.
 12. ☒ ☐ The audit opinion is UNQUALIFIED.
 13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>	Communication with Those Charged with Governance.	
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.			Telephone Number 989-635-3113	
Street Address 3531 Main Street			City Marlette	State MI
			Zip 48453	
Authorizing CPA Signature 			Printed Name Lehn L. King, C.P.A.	
			License Number A248781	

Forest Township Area Senior Center, Inc.
Genesee County, Michigan

Audited Financial Report
December 31, 2007

Lehn L. King
Certified Public Accountant
Marlette, Michigan

Forest Township Area Senior Center, Inc.

Annual Financial Report
For The Fiscal Year Ended December 31, 2007

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LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

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Phone 989-635-3113

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Members of the Senior Center Board

Forest Township Area Senior Center, Inc.

Genesee County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forest Township Area Senior Center, Inc. as of and for the year ended December 31, 2007, which collectively comprise the Senior Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Forest Township Area Senior Center, Inc.'s management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Forest Township Area Senior Center, Inc. as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Forest Township Area Senior Center, Inc.'s basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Senior Center implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Lehn King

Lehn L. King

Certified Public Accountant

June 25, 2008

Forest Township Area Senior Center, Inc.

Otisville, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Forest Township Area Senior Center, Inc.'s financial performance provides an overview of the Senior Center's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Senior Center's financial statements.

Financial Highlights

The Senior Center is in a good financial position with a General Fund Balance of \$28,664.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Senior Center's annual report.

The Senior Center as a Whole

The Forest Township Area Senior Center, Inc.'s fund balance is as follows:

	December 31, 2007
General Fund	\$ 28,664

Forest Township Area Senior Center, Inc.

Otisville, Michigan

Governmental Activities

The Forest Township Area Senior Center, Inc.'s Revenues and Expenditures can be summarized as follows:

	General Fund
Fund Balance - Beginning of Year	\$ -
Revenue Collected	
Intergovernmental Revenues	61,680
Charges for Services	18,106
Interest Earnings	24
Other	8,220
Total Revenue Collected	<u>88,030</u>
Expenditures	
Recreation & Culture	53,798
Capital Outlay	5,568
Total Expenditures	<u>59,366</u>
Fund Balance - End of Year	<u><u>\$ 28,664</u></u>

Economic Factors and Next Year's Budget and Rates

The Forest Township Area Senior Center, Inc.'s 2007/2008 adopted budget is as follows:

	General Fund	
	December 31,	
	2008	2007
Budgeted Balance Forward	\$ 23,881	\$ -
Revenue		
Intergovernmental Revenues	131,799	151,673
Charges for Services	-	-
Interest	-	-
Other	13,000	-
Total Funds Available	<u>144,799</u>	<u>151,673</u>
Expenditures		
Recreation & Culture	126,299	111,080
Capital Outlay	5,500	40,593
Total Expenditures	<u>131,799</u>	<u>151,673</u>
Budgeted Balance Forward	<u><u>\$ 36,881</u></u>	<u><u>\$ -</u></u>

Contacting the Senior Center

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Senior Center's finances and to demonstrate the Senior Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Senior Center's office at 130 East Main, Otisville, Michigan.

Forest Township Area Senior Center, Inc.

Statement of Net Assets (Deficit)

December 31, 2007

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 29,739.55
Capital Assets (Net of Accumulated Depreciation)	<u>5,382.34</u>
Total Assets	35,121.89
<u>Liabilities</u>	
Accrued Payroll Taxes	<u>1,075.21</u>
<u>Total Liabilities</u>	<u>1,075.21</u>
Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	5,382.34
Unrestricted	<u>28,664.34</u>
<u>Total Net Assets (Deficit)</u>	<u>\$ 34,046.68</u>

The notes are an integral part of the statements.

Forest Township Area Senior Center, Inc.

Statement of Activities
For the Year Ended December 31, 2007

		Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for	Operating	Capital	Primary Government
	Expenses	Services	Grants & Contributions	Grants & Contributions	Governmental Activities
Functions/Programs					
Primary Government:					
Governmental Activities:					
Recreation & Culture	\$ 53,983.39	\$ 18,105.50	\$ -	\$ -	\$ (35,877.89)
Total Governmental Activities	<u>\$ 53,983.39</u>	<u>\$ 18,105.50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(35,877.89)</u>
General Revenues:					
Intergovernmental Revenues					\$ 61,679.59
Interest					24.13
Other Revenues					8,220.85
Total General Revenues, Special Items & Transfers					<u>69,924.57</u>
Change in Net Assets					34,046.68
Net Assets (Deficit) - Beginning of Year					<u>-</u>
Net Assets (Deficit) - End of Year					<u>\$ 34,046.68</u>

The notes are an integral part of the statements.

Forest Township Area Senior Center, Inc.

Governmental Funds

Balance Sheet

December 31, 2007

	General Fund	Total Governmental Funds
<u>Assets</u>		
Cash & Certificates of Deposit	\$ 29,739.55	\$ 29,739.55
<u>Total Assets</u>	<u>\$ 29,739.55</u>	<u>\$ 29,739.55</u>
<u>Liabilities & Fund Equity</u>		
<u>Liabilities</u>		
Accrued Payroll Taxes	\$ 1,075.21	\$ 1,075.21
<u>Total Liabilities</u>	<u>1,075.21</u>	<u>1,075.21</u>
<u>Fund Equity</u>		
Fund Balance		
- Unreserved & Undesignated	28,664.34	28,664.34
<u>Total Fund Balances</u>	<u>28,664.34</u>	<u>28,664.34</u>
<u>Total Liabilities & Fund Equity</u>	<u>\$ 29,739.55</u>	<u>\$ 29,739.55</u>

The notes are an integral part of the statements.

Forest Township Area Senior Center, Inc.

Governmental Funds

Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)

For The Year Ended December 31, 2007

Total Fund Balances for Governmental Funds	\$ 28,664.34
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Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	<u>5,382.34</u>
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Net Assets of Governmental Activities	<u><u>\$ 34,046.68</u></u>
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The notes are an integral part of the statements.

Forest Township Area Senior Center, Inc.

Governmental Funds

Statement of Revenues, Expenditures, And Changes in Fund Balances

For The Year Ended December 31, 2007

	General	Total
<u>Revenues</u>	<u>Fund</u>	<u>Governmental</u>
		<u>Funds</u>
Intergovernmental Revenues	\$ 61,679.59	\$ 61,679.59
Charges for Services	18,105.50	18,105.50
Interest Earnings	24.13	24.13
Miscellaneous	8,220.85	8,220.85
<u>Total Revenues</u>	<u>88,030.07</u>	<u>88,030.07</u>
 <u>Expenditures</u>		
Recreation & Culture	53,797.79	53,797.79
Capital Outlay	5,567.94	5,567.94
<u>Total Expenditures</u>	<u>59,365.73</u>	<u>59,365.73</u>
 Excess of Revenues Over (Under) Expenditures	28,664.34	28,664.34
 <u>Other Financing Sources (Uses)</u>		
Operating Transfers In (Out)	-	-
 Net Change in Fund Balances	28,664.34	28,664.34
 <u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>
 <u>Fund Balance - End of Year</u>	<u>\$ 28,664.34</u>	<u>\$ 28,664.34</u>

The notes are an integral part of the statements.

Forest Township Area Senior Center, Inc.

Governmental Funds

Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	28,664.34
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Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures; in the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation		5,567.94
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Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds		<u>(185.60)</u>
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Change in Net Assets of Governmental Activities	\$	<u>34,046.68</u>
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The notes are an integral part of the statements.

Forest Township Area Senior Center, Inc.

Notes to the Financial Statements
For The Year Ended December 31, 2007

The accounting methods and procedures adopted by the Forest Township Area Senior Center, Inc. conform to generally accepted accounting principles in the United States of America as applied to governmental entities. The following notes to the financial statements are an integral part of the Senior Center's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Forest Township Area Senior Center, Inc. was created under the provisions of the Internal Revenue Code 501(c)(3). As required by generally accepted accounting principles, the financial statements of the reporting entity include only those of the Senior Center (the primary government). The purpose of the Senior Center is to provide, enhance and to improve the quality of life of the senior citizens by promoting a range of activities, including but not limited to health, recreation, education and information. The governing body of the Senior Center is made up of a seven (7) member board.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Senior Center (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Senior Center reports the following major governmental funds:

General Fund - The General Fund is the Senior Center's primary operating fund. It accounts for all financial resources of the general government.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Senior Center. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Forest Township Area Senior Center, Inc.

Notes to the Financial Statements
For The Year Ended December 31, 2007

1. Summary of Significant Accounting Policies - Continued

Cash - The Senior Center's cash and cash equivalent are savings accounts, demand deposits, and short-term investments with original maturities of three months or less for the date of acquisition.

Vacation, Sick Leave, & Other Compensated Absences - The Senior Center does not have any contracts or agreements with its employees which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Senior Center as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line method.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Senior Center is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Senior Center actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Senior Center Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. The budget for the General Fund is presented in the required supplemental information.

Forest Township Area Senior Center, Inc.

Notes to the Financial Statements
For The Year Ended December 31, 2007

2. Stewardship, Compliance, and Accountability - Continued

During the year ended December 31, 2007, the Senior Center incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
NONE			

3. Deposits and Investments

The Forest Township Area Senior Center, Inc.'s deposits consist of a checking account. At December 31, 2007 the carrying amount is \$29,540 and the bank balance is \$29,540. The bank balance is insured by the FDIC.

4. Capital Assets

Capital Assets activity of the Senior Center's governmental activities was as follows:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Disposals & Adjustments</u>	<u>Balance December 31, 2007</u>
Governmental Activities:				
Capital Assets Being Depreciated:				
Equipment	\$ -	\$ 5,568	\$ -	\$ 5,568
Total Capital Assets being Depreciated	-	5,568	-	5,568
Accumulated Depreciation:				
Equipment	-	186	-	186
Total Accumulated Depreciation	-	186	-	186
Net Capital Assets	<u>\$ -</u>	<u>\$ 5,382</u>	<u>\$ -</u>	<u>\$ 5,382</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
Recreation & Culture	\$ 186
Total Governmental Activities	<u>\$ 186</u>

5. County Millage

Genesee County passed a ten-year millage that will provide revenue to the local senior centers. For the year then ended December 31, 2007, the Senior Center received \$151,673 from the County. At the time the Senior Center received the funds, the Senior Center was not a separate entity from Forest Township. In October 2007, the Township transferred the remaining balance of the County Millage, \$61,680, to the newly formed Forest Township Area Senior Center, Inc.. The Senior Center is expected to receive approximately \$131,000 from the County for the period January – September 2008. The amount to be received after September 2008 is undetermined at this time, but is expected to be similar to what it has been the last two years.

6. Long -Term Debt

The Senior Center has no Long-Term Debt.

Forest Township Area Senior Center, Inc.

Notes to the Financial Statements
For The Year Ended December 31, 2007

7. Post Employment Benefits

The Senior Center does not provide any post employment benefits.

8. Risk Management

The Senior Center is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Senior Center has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Forest Township Area Senior Center, Inc.

Required Supplemental Information

Budgetary Comparison Schedule

Senior Center

For The Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Intergovernmental Revenue	\$ 151,673.00	\$ 151,673.00	\$ 61,679.59	\$ (89,993.41)
Charges for Services	-	-	18,105.50	18,105.50
Interest Earnings	-	-	24.13	24.13
Other Revenues	-	-	8,220.85	8,220.85
	<u>151,673.00</u>	<u>151,673.00</u>	<u>88,030.07</u>	<u>(63,642.93)</u>
<u>Total Revenues</u>	<u>151,673.00</u>	<u>151,673.00</u>	<u>88,030.07</u>	<u>(63,642.93)</u>
<u>Expenditures</u>				
Senior Center Activity				
Wages & Payroll Taxes	40,400.00	40,400.00	17,150.03	23,249.97
Program Expenditures	25,250.00	25,250.00	21,300.25	3,949.75
Administration	36,430.00	36,430.00	6,698.51	29,731.49
Legal & Professional	9,000.00	9,000.00	8,649.00	351.00
Capital Outlay	40,593.00	40,593.00	5,567.94	35,025.06
	<u>151,673.00</u>	<u>151,673.00</u>	<u>59,365.73</u>	<u>92,307.27</u>
<u>Total Expenditures</u>	<u>151,673.00</u>	<u>151,673.00</u>	<u>59,365.73</u>	<u>92,307.27</u>
<u>Excess Revenues Over (under) Expenditures</u>	<u>-</u>	<u>-</u>	<u>28,664.34</u>	<u>28,664.34</u>
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,664.34</u>	<u>\$ 28,664.34</u>

LEHN L. KING
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Phone 989-635-3113
Fax 989-635-5580

June 25, 2008

Forest Township Area Senior Center, Inc.
130 East Main
Otisville, Michigan 48463

Members of the Board:

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Senior Center for the year ended December 31, 2007, and have issued my report thereon dated June 25, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated January 16, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Senior Center are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending December 31, 2007. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Audit Adjustments (Corrected and Uncorrected Misstatements)

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated June 25, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Communication of Significant Deficiencies and Material Weaknesses

In planning and performing my audit of the financial statements, as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, I considered the Senior Center's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and other deficiencies that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I considered the following deficiencies to be significant deficiencies in internal control:

Preparation of Financial Statements - Management prepares internal financial information to assess operations and the financial position of the Senior Center on an ongoing basis. Although the internal financial information is sufficient to operate the Senior Center, it is not presented in accordance with generally accepted accounting principles. The Senior Center contracts with me, the auditor, to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles, since it does not retain staffing that currently have the expertise. I believe this meets the definition of a material weakness under *Statement on Auditing Standards 112*.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The AICPA Auditing Standards Board issued Statements on Audit Standards (SAS) 112 which establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting and is effective for periods ending after December 15, 2006. According to SAS 112, it is considered to be a control deficiency if a client I am auditing has ineffective controls over the preparation of their financial statements such that client controls are absent or controls are not effective in preventing or detecting material misstatements in the preparation of the financial statements, including the related footnotes.

Accrual Adjustments – During the audit, I generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records. I bring this to your attention since it meets the above definition on a matter to be communicated.

Segregation of Duties - The relative size of the Senior Center limits the extent to which the officials can segregate duties and responsibilities which impairs the basic premise that no one individual should have access to both the physical assets and the related accounting records (or all recording tasks of a transaction from inception to completion).

The Senior Center has implemented mitigating controls to strengthen internal controls and the segregation of duties; however, it must be recognized that the risk of intentional or unintentional errors could be made and not detected in a timely manner.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Senior Center's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Senior Center's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of management, the Board of the Senior Center, and Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant